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Viewing cable 06MANAGUA2192, PRIVATE SECTOR WORRIED ABOUT ORTEGA WIN, BUT STILL

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Reference ID	Created	Released	Classification	Origin
06MANAGUA2192	2006-10-04 15:33	2011-08-30 01:44	CONFIDENTIAL	Embassy Managua

Appears in these articles:

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DEPARTMENT FOR WHA/CEN

E.O. 12958: DECL: 09/29/2026
TAGS: [KDEM](#) [NU](#) [PGOV](#) [PINR](#) [PREL](#)
SUBJECT: PRIVATE SECTOR WORRIED ABOUT ORTEGA WIN, BUT STILL
CONTINUE TO WAFFLE

¶1. (C) SUMMARY: The Nicaraguan private sector is in general agreement that an Ortega presidency would have a negative impact on the economy, but its attitude toward the election and supporting the various candidates varies. Individual businesspersons appear unwilling to risk investing significant sums in a particular candidate given tough campaign finance laws, a traditional 'hedging the bets' mentality, and hesitance to avoid antagonizing powerful Sandinista-dominated institutions. The largest private sector organizations are taking a non-partisan stance, but may assume other valuable roles. End Summary.

¶2. (C) Pol TDYer has met with several representatives from the Nicaraguan private sector to gauge the attitude of the business community toward the presidential elections, supporting the various candidates, and assessing the economic implications of a Sandinista government. The results of the interviews varied depending on the source, but there is general concern about Daniel Ortega's lead in the polls and that the economy will take a turn for the worse should he be elected in November.

¶3. (C) Most of the below cable has been informed by the perspectives of three sources:

--Margarita Sevilla Sarmiento: Sevilla is a member of the Nicaraguan-American Chamber of Commerce (AMCHAM) and a member of Foro Liberal, a fundraising group with ties to the Liberal party. A fund-raiser, Sevilla's insights into donor concerns and limitations of campaign fundraising help explain why the ALN has yet to receive the financial resources it thinks it needs.

--Jose Adan Aguerri: As a leader of an influential private Sector organization - he is President of the Nicaraguan Chamber of Commerce (CACONIC) - Aguerri maintained a consciously non-partisan attitude in his conversation, but made clear that the private sector is closely monitoring the economic platforms of all candidates. He said that groups such as his have no business backing a particular candidate, but said that he is urging members of the business community to encourage a high voter turnout - which Aguerri said was necessary to ensuring an FSLN defeat.

--Jorge Casa Mantica: The son of an Italian mother and American father, Mantica's family owns a chain of local grocery stores ('La Colonia') (COMMENT: Walmart recently purchased a majority stake in La Colonia in a deal which has not yet been published. END COMMENT.) and are also distributors of computer, office ware, and air conditioner

products. Mantica made it clear to Pol TDYer that he is one of the more openly partisan businessmen he knows. Unabashedly pro-Montealegre, Mantica said that he has told his employees to vote for Montealegre and also that if Ortega wins, they could be out of a job because times would be tough on business owners. He is also helping the ALN's grassroots efforts by offering in-kind donations of office supplies (i.e. computers, photocopiers), transportation of campaign supporters/workers to rallies, and paying for meals. Mantica said he plans on spending a lot of money on election day helping to feed and transport ALN voters to the polls.

MONTEALEGRE LOOKS GOOD ON PAPER, BUT NOT YET A SURE INVESTMENT

14. (C) The private sector is nearly as divided as the center-right political parties. Aguerri said that most businessmen privately back Montealegre, but will keep their options open until it becomes clearer who has the best chance of defeating Ortega. For this reason many continue to eye the Liberal Constitutional Party (PLC), which is more of a known commodity, while only a handful support Edmundo Jarquin; he could think of only one or two businessmen who wholeheartedly support Ortega. Sevilla said that in 2005 Foro Liberal had 14 members, but that today the group has largely disbanded because of the division between the center-right parties. Sevilla said that six of the group's former members support Rizo Because they think it safer to stick with the PLC which has a proven party infrastructure. Supporting any newcomer, in their view, is risky business. Moreover, many Liberals believe that Rizo and Alvarado are old and politically experienced enough to consolidate their control over the

party after a victory and thus reduce Aleman's influence. Nevertheless, Sevilla said that Montealegre's longstanding dissent with PLC leadership has helped him to win the backing of many former Liberals. For instance, she claimed that those who supported Montealegre's unsuccessful bid to become the PLC presidential candidate in 2001 were later marginalized by Arnoldo Aleman. These people have remained loyal to Montealegre and helped him to start his own movement.

15. (C) Members of the business sector appear to regard Jarquin's candidacy with mixed views. Sevilla was sympathetic to Jarquin, admiring him for presenting a detailed platform that is largely favorable to business interests. Mantica, on the other hand, expressed deep-seated reservations about the individuals surrounding Jarquin. While he personally likes Jarquin, Mantica argued that the candidate is surrounded by diehard radicals, such as Victor Hugo Tinoco and Luis Carrion. Sevilla, however, said Jarquin would be a weaker president than Montealegre because he would probably have less backing in the National Assembly. Montealegre would probably be stronger because he would win more seats in the Assembly which, combined with his defeat of Aleman-backed Rizo for the presidency, would be enough to encourage additional PLC members to join his side, reasoned Sevilla. Aguerri, Sevilla, and Mantica all agreed that many voters Will hold off on making a firm decision for whom they will vote until after the last poll numbers are released.

PRIVATE SECTOR MOVING AHEAD WITH POLL

16. (C) President Bolanos' chief of staff Nayo Somarriba told DCM and Polcouns on September 25 that despite PLC candidate Jose Rizo's refusal to compete in a poll against ALN candidate Eduardo Montealegre, Nicaragua's private sector, the GON, and the Taiwanese will conduct the poll. According to Somarriba, the poll will be conducted and analyzed on October 9-23; prepared to print on October 24

and the results widely advertised October 25 - November 4. Given its late date of slated publication, this poll could go a long way toward determining which of the non-FSLN candidates will get the most popular support to challenge Ortega.

GENERALLY NEGATIVE VIEWS OF AN ORTEGA PRESIDENCY

17. (C) Most of the business community maintain strong reservations about an Ortega victory, fearing that his economic management could prompt a downturn in what has been a relatively stable macroeconomic environment. Sevilla and Mantica outlined the same general reactions to an Ortega win. Both expect that domestic and foreign investment would come to a near standstill as investors wait to see how the FSLN behaves. A prolonged lull in investment, however, could be sufficient to prompt a moderate (1-2 years) recession. Sevilla pointed out that construction would be one of the first sectors to be affected, which could, in turn, have a negative impact on employment figures. Mantica and Sevilla also expressed concern that major international donors could freeze any large projects or contributions as part of this 'wait and see' period.

18. (C) Neither Sevilla, Mantica, nor Aguerri expect the economic conditions to fall to their 1980-levels, but all worry that FSLN mismanagement would hurt the overall economy. Mantica said that excessive government subsidies on education, gas, and electricity would necessitate higher taxes, and that business would have to bear the brunt of this policy. If that is the case, Mantica said that he (and his colleagues) would first begin laying off members of his workforce in order to stay afloat. Aguerri was concerned that the Sandinistas would undermine the independence of important financial sector groups by appointing ideologues or party loyalists to key positions. He noted that the government enjoys the right to appoint persons to serve as administration representatives to private sector organizations. Aguerri reported that while the government cannot appoint the governing boards of these bodies, their representatives could exert a negative influence through the use of veto votes on committee matters, or by exerting behind-the-scenes political pressure.

19. (C) Sevilla, Aguerri, and Mantica all agreed, however, that should the Sandinistas prove able to adhere to sound principles of financial management the economy should continue on as normal. Sevilla said that businesspeople will continue to seek their profits in Nicaragua regardless of the political ideology of the government so long as they feel they are on a financially sound footing - "an opportunity is an opportunity." Sevilla claimed that while foreign investment during an Ortega presidency could decline, this would not necessarily be long-lasting. She pointed out that the French, Spanish, Italians would probably continue to invest - as they do to Cuba.

110. (C) Sevilla noted that Nicaragua is unlikely to suffer a debilitating capital flight simply in the event of an Ortega win. She argued that about 90% of account holders have less than \$3,000 saved and that this money is likely to stay put. Those who have more money in local banks will have already moved their assets ahead of the election. Mantica echoed Sevilla, saying that he has already transferred most of his personal accounts outside of Nicaragua, and that many of his friends were doing the same. Sevilla claimed that Nicaragua's high international reserves give it a certain cushion to withstand moves by big account holders to transfer their money elsewhere. She said that Nicaragua's financial and banking system could survive a capital exodus of between 10 to 20%. Pointing to the 2001 elections, Sevilla noted that approximately \$200 million left the country around the election. She also

argued that while the largest banks may send assets outside the country, most of them would simply transfer the funds to their branches in nearby Panama where they would be relatively safe. This transfer would bolster public confidence in the viability of the banking sector and the security of their own accounts.

WORRIED ABOUT CHAVEZ

¶11. (C) Sevilla and Mantica both said that concern is running high in the private sector over Ortega's connections to Chavez. Sevilla noted that a resurgence in the ideological left in Latin America - what she termed a "Renaissance of the leftist dialogue" - has helped Ortega to sell a populist message on the campaign trail. With strongly left-leaning administrations in Venezuela and Bolivia, Ortega's message seems a bit less out of place than it might have in the presidential elections in 1996 or ¶2001. Sevilla and Mantica said that what concerns them is that Chavez will obviously wield a great deal of influence over Ortega's actions in return for his contributions to the FSLN campaign. (Comment: Anecdotal information from discussions with Embassy contacts across the spectrum, including taxi drivers, businessmen, politicians, and other concerned citizens, suggests that the Ortega-Chavez connection is well known, at least in Managua). Sevilla suspects that Chavez will see Nicaragua as another stepping stone for his Bolivarian revolution, and noted that Venezuela's money could go a long way in impoverished Nicaragua - "it does not take a lot of money to run things here." Mantica claimed his sources have told him that the FSLN is spending tremendous amounts of money on the campaign, too much to have come from domestic sources. For example, he said he has heard that the FSLN recently bought 100 brand new trucks to take supporters to the polls. He has also heard that Sandinistas have been passing out 1,000 cordobas (about US \$56) to families to buy their votes.

SPOOKED DONORS PROMPT POLITICAL BELT TIGHTENING

¶12. (C) The concerns of the many donors have made it hard for most of the political parties to acquire the resources they deem necessary to run a strong campaign. Campaign officers for the ALN and MRS have complained to the Embassy that they are on a tight budget, and are constantly seeking new contributions and donors. Sevilla said even the PLC is having to tighten its belt. She said she has heard that Jose Rizo has even mortgaged his house to pay for part of the campaign. While Aleman no doubt has a huge fortune, Sevilla said that he is not using much of his resources so as not to call attention to his wealth during the legal investigations against him in Panama.

¶13. (SBU) Sevilla explained that many in the private sector hesitate to make significant contributions to the candidates' campaigns for fear of incurring heavy penalties and prompting political/economic retribution from a victorious candidate that they did not support. A look at the Electoral Code (Chapter IV of Title VII) shows what might concern potential donors:

--Records of private donations are to be kept by the political parties and turned in to the Comptroller General's office.

--Political parties cannot receive anonymous donations.

--Those political parties who receive illegal contributions are fined for double the amounts of the donation.

--Those who contribute illegally are eligible to be fined for double the amount of the donation

¶14. (C) The only candidate with sufficient funding is Ortega, as evidenced by the tremendous amount of FSLN propaganda visible throughout Managua (NOTE: According to NGO Etica y Transparencia, Ortega outspends all other presidential candidates combined. END NOTE). While Sevilla noted that much of Ortega's financial largesse has no doubt been contributed by Chavez, much of it may also come from domestic private sector sources. She argued that Sandinista control over the judicial sector has prompted many people to give to Ortega, or dissuaded others from making large contributions to other candidates. Businesspersons worry that if it becomes public knowledge that they supported Montealegre, the Sandinistas, if victorious, would exercise their muscle in the courts to hurt their businesses (i.e. through fines, higher taxes, etc).

¶15. (C) Sevilla also noted that the paucity of big-time contributions has prompted the campaigns to rely on lesser donations and engage in risky borrowing in the hopes of receiving government reimbursement following the election. Political parties are eligible to receive donations from foreign and domestic private (i.e. non-governmental) sources so long as they fall within the ranges of law. (Note: Under these guidelines the government of Venezuela could not provide funding to the FSLN, but ordinary Venezuelan citizens could.) The government sets aside a fund equal to 1% of the ordinary budget to distribute to those political parties who gain more than 4% of the vote - to be disbursed after the elections. These parties then split this pot in amounts proportional to the number of votes they received. The AMCHAM member said that this has prompted the parties to approach banks for loans based on how many votes they think they will be able to receive. Montealegre and his advisers hinted during their meeting with Congressman Burton that they were now having trouble persuading banks to lend them more money.

¶16. (SBU) A quick look at the law also reveals potential Achilles' heels for some of the campaigns. Article 177 of the Electoral Code states that candidates found guilty of violating finance-related rules laid out in Chapter 4 (articles 99-106) or any of the other electoral violations cited in Title 14 (articles 173-178) are required to renounce their candidacies and are prohibited from exercising public functions for a period of between one and three years. Should they be charged with having committed these offenses during their campaigns after they have already taken office, then they must step down. This provides an obvious opening for the pactistas to use their influence to hamstring opponents.

AGUERRI SEES IMPORTANT ROLE FOR PRIVATE SECTOR ORGANIZATIONS

¶17. (C) As CACONIC President, Aguerri sees private sector organizations, such as CACONIC and COSEP (a larger umbrella group of private sector organizations) as having to remain nonpartisan. However, Aguerri admitted that most of the private sector is extremely concerned over the specter of a Sandinista government. Thus, members of the business community are coming together to support various 'get out the vote' initiatives. For example, he is in discussions with movie theater and fast food chain owners to find a way

to offer discounts to citizens with proof of having voted. By displaying ink-marked thumbs on voting day (all voters must dip their thumbs in special ink after casting their ballots to minimize the chances of a person attempting to vote twice), voters could see a free movie or enjoy a discounted meal at participating locations. Aguerri added that CACONIC has offered the Supreme Electoral Council (CSE) use of private sector vehicles to transport some 15,000 cedula (voter IDs) that are sitting in CSE holding facilities. He speculated that the majority of these are probably for non-Sandinista voters,

noting that the CSE is considering the proposal, but has not yet responded.

¶18. (C) Aguerri also mentioned that CACONIC has extended an invitation to all of the presidential candidates to sign a list of 10 basic points necessary for economic stability and growth compiled by the organization. He said that Montealegre has seen the list and expressed an interest in signing. The Chamber was planning to meet with Jarquin the first week of October. They expect Rizo will sign, and have offered Ortega the opportunity as well -- though Aguerri commented he would doubt the sincerity of an Ortega signature. A summary of the 10 points:

--Improve the judicial sector

--guarantee a free market and the right of the private sector to participate in economic policymaking

--employ a commercial strategy favorable to the establishment of free trade agreements

--reduce state expenditures on an outdated bureaucracy

--promise to maintain public order and a stable investment climate

--develop access to credit

--improve education

--expand the tax base to reduce the tax burden of the private sector

--strengthen the system of doling out public contracts with improved transparency

--economic policies that guarantee a free currency exchange, inhibit excessive state controls, and the implementation of a sound macroeconomic strategy.

¶19. (C) Comment: With only about a month until the election, many in the private sector will continue to wait until the final poll numbers become clear before deciding to take a stronger stand in supporting the non-Ortega candidate. Thus, the overall financial situation of these parties is unlikely to change drastically. However, should the contest move to a second round, Ortega's opponent will probably find his coffers substantially enhanced. End Comment.

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